

Message Text

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ACTION EA-09

INFO OCT-01 EB-07 NEA-10 ISO-00 L-03 FRB-03 OMB-01 ITC-01
SP-02 USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07
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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 5578
INFO AMEMBASSY BANGKOK
AMEMBASSY COLOMBO
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LIMITED OFFICIAL USE KUALA LUMPUR 7300

E.O. 11652: N/A
TAGS: UNCTAD, EPAP, MY
SUBJECT: UNCTAD MEETING ON RUBBER

REF: STATE 301160

1. AS REQUESTED REFTEL, WE DISCUSSED INTERNATIONAL RUBBER AGREEMENT WITH PRIMARY INDUSTRIES DEPUTY SECRETARY GENERAL WONG KUM CHOON. WONG SAID THAT SIGNATORIES ARE DESIROUS OF CONSUMERS PARTICIPATING IN AGREEMENT, THAT THEY ARE NOT THEREFORE COMMITTED TO TERMS OF AGREEMENT, THAT NO ARTICLE IS NON-NEGOTIABLE AND THAT ANY ASPECT OF AGREEMENT CAN BE CHANGED TO ACCOMMODATE DEMONSTRATED CONSUMER NEED. WONG SAID THAT MALAYSIA WOULD PREFER FULL PARTICIPATION AND COOPERATION FROM CONSUMERS SINCE IT REALIZES THAT VIABILITY OF AGREEMENT IS SERIOUSLY IN QUESTION WITHOUT MAJOR CONSUMER PARTICIPATION. HE NOTED THAT CONSUMER MEMBERSHIP COULD BE FULL, OR ASSOCIATE DEPENDING ON THE DESIRES OF CONSUMERS. IMPORTANT DISTINCTION FROM INTERNATIONAL TIN AGREEMENT, HOWEVER, WOULD BE THAT FULL LIMITED OFFICIAL USE

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CONSUMER MEMBERSHIP WOULD IMPLY CONSUMER CONTRIBUTION TO BUFFER STOCK AND THAT VOTE AND VOICE OF CONSUMERS IN AGREEMENT WOULD DECLINE IN DIRECT RELATIONSHIP TO NON-CONTRIBUTION TO BUFFER STOCK. WONG SAID THAT CONSUMER NATIONS WOULD BENEFIT FROM FULL PARTICIPATION THROUGH EFFECTIVENESS OF AGREEMENT ITSELF, I.E., THAT USERS PREFER AND WOULD BENEFIT FROM

SMOOTHING OF USUAL VOLATILE PRICE PEAKS AND VALLEYS ASSOCIATED WITH NATURAL RUBBER. HE SAID THAT IN DISCUSSION WITH USERS PRINCIPAL CONSIDERATION WAS NOT SO MUCH ACTUAL RUBBER PRICE BUT RATHER DIFFICULTIES ENCOUNTERED WHEN COMPETITORS THROUGH MARKET FLUCTUATIONS HAVE BEEN ABLE TO PURCHASE RUBBER ON MORE FAVORABLE TERMS. WONG SAID THAT U.K. AND ITALIAN SYNTHETIC RUBBER PRODUCTS HAVE COME TO REALIZATION THAT TRADITIONAL COMPETITION BETWEEN SYNTHETIC RUBBER AND NATURAL RUBBER FOR WHOLE OF MARKET NO LONGER VIABLE AND THAT EVEN SYNTHETIC PRODUCERS PREFER GREATER CONSTANCY IN PRICE OF NATURAL RUBBER. IN SEPARATE DISCUSSION, ANRPC SECRETARY GENERAL SAID THAT AGREEMENT ENVISAGED DEVELOPING IN STAGES WITH FIRST STAGE BEING AGREEMENT AS BETWEEN PRODUCERS WITH SECOND STAGE FOLLOWING UNCTAD MEETING WITH AGREEMENT MODIFIED TO ACCOMMODATE MEMBERSHIP NEEDS OF CONSUMERS. DISTANT THIRD STAGE WOULD BE RELATIONSHIP WITH COMMON FUND IF AND WHEN DEVELOPED BUT THAT PRODUCER-CONSUMER RUBBER AGREEMENT EXPECTED TO COME ABOUT IRRESPECTIVE OF FATE OF COMMON FUND. CLEARLY PRODUCERS SEEKING CONSUMER CONTRIBUTION TO BUFFER STOCK. ALSO PRODUCERS EXPECTING GREATER CONSUMER INPUT ON EXPECTED DEMAND FOR NATURAL RUBBER AS WELL AS SUPPLY AND DEMAND FOR SYNTHETIC RUBBER.

2. ACCORDING WONG THERE DOES NOT APPEAR TO BE DISAGREEMENT AMONG SIGNATORIES REGARDING ROLE OF CONSUMERS. RE ROLE OF UNCTAD MALAYSIA SEES JANUARY MEETING ATTENDED BY PRODUCERS, CONSUMERS, ANRPC AND IRSG. PERHAPS NOTEWORTHY THAT ANRPC UNTIL RECENTLY NOT INVITED TO UNCTAD MEETING AND THAT INVITATION EXTENDED ONLY FOLLOWING CABLE FROM ANRPC TO UNCTAD SECRETARY GENERAL REQUESTING SUCH. ANRPC INITIALLY EXCLUDED BECAUSE IT DOES NOT HAVE CONSULTATIVE STATUS WITH UNCTAD. WONG SEES LIMITED OFFICIAL USE

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"INTERGOVERNMENTAL CONSULTATIVE GROUPS", INCLUDING IRSG AND ANRPC, RESULTING FROM UNCTAD MEETING. ON THIS POINT ANRPC SECRETARY GENERAL DREW DISTINCTION BETWEEN DESIRED CONSULTATIVE GROUP WHICH WOULD INCLUDE POLITICAL LEVEL INPUT AS DISTINCT FROM UNWANTED EXPERT GROUP WHICH WOULD BE COMPRISED ONLY OF TECHNICIANS. WONG SAID FURTHER THAT RUBBER AGREEMENT WOULD BE RELATED TO INTEGRATED COMMODITY PROGRAM WHICH WOULD IN TURN BE RELATED TO COMMON FUND.

3. WONG ACKNOWLEDGED DIFFICULTIES OF ENFORCING SUPPLY RATIONALIZATION SCHEME PARTICULARLY IN THAILAND AND MORESO IN INDONESIA BECAUSE OF LOOSE ADMINISTRATIVE CONTROL BUT PERHAPS MORE IMPORTANTLY BECAUSE OF ABSENCE OF PLANTATION SECTOR IN THOSE COUNTRIES AND POLITICAL INABILITY OF GOVERNMENTS TO CUT BACK SMALLHOLDER PRODUCTION. WONG SAID THAT SIMILARLY SMALLHOLDER PRODUCTION IN MALAYSIA WOULD NOT BE CUT BACK AND THAT PLANTATIONS WOULD BEAR BRUNT OF CUTBACK. WONG ACKNOWLEDGED THAT 100,000 TON BUFFER STOCK IS TOO SMALL, NOTING THAT

MALAYSIAN CONSIDERS 350,000 TONS MORE EFFECTIVE SIZE BUT THAT OTHER SIGNATORIES NOT WILLING OR ABLE TO FINANCE LARGER STOCK. ANRPC SECRETARY GENERAL ACKNOWLEDGED THAT SUPPLY RATIONALIZATION SCHEME WOULD BE MORE EFFECTIVE ON DOWNSIDE THAN ON UPSIDE WHEN PRESUMABLY WITH FAVORABLE PRICES PRODUCERS WOULD ALREADY BE UTILIZING STIMULANTS AND OTHER MEASURES TO MAXIMIZE PRODUCTION. PRIVATE SECTOR HERE NOTED THAT 100,000 TON STOCKPILE IS TOO SMALL TO BE EFFECTIVE ON DOWNSIDE THUS PLACING BURDEN ON EFFECTIVENESS ON SUPPLY RATIONALIZATION.

4. WONG SAID THAT PRICE BANDS NOT YET DETERMINED BUT ACKNOWLEDGED THAT FIGURES REPORTED EARLIER CONTINUE TO REFLECT GENERAL THINKING, I.E., LOWER LEVEL 135 TO 40, CEILING OF 200 AND MIDDLE BAND 150 TO 180. THIS CONFIRMED BY ANRPC SECRETARY GENERAL. WONG NOTED THAT SPECIAL ELEMENT IN RUBBER BUFFER STOCK OPERATION WOULD BE FUTURES PURCHASES OF UP TO 2 YEARS WHICH WOULD HAVE EFFECT OF REDUCING INFLUENCE OF SPECULATORS. THIS CONTRASTED WITH TIN AGREEMENT UNDER WHICH LIMITED OFFICIAL USE

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BUFFER STOCK MANAGER CAN BUY FORWARD ONLY 3 MONTHS.

5. WONG SAID THAT ANRPC DOES NOT HAVE MEANINGFUL BASIS FOR CALCULATING GLOBAL NATURAL RUBBER SUPPLY AND DEMAND AND THAT THIS VERY TOUCH IN THAT THEY ARE OBLIGED TO DO SO AT A GIVEN PRICE. ON THIS POINT ANRPC SECRETARY GENERAL SAID THAT IRSG ROLE WOULD BE VERY IMPORTANT.

6. ON RUBBER STABILIZATION AGREEMENT ITSELF, WONG SAID THAT BECAUSE IT LOCATED IN K.L. EXECUTIVE DIRECTOR WOULD PROBABLY BE INDONESIAN BUT THAT BUFFER STOCK MANAGER WOULD BE NON-GOVERNMENTAL MALAYSIAN AND THAT SUPPLY RATIONALIZATION MANAGER WOULD BE THAI. ANRPC SECRETARY GENERAL OF SAME VIEW NOTING THAT DIFFICULTY IS TO FIND EXPERIENCED MALAYSIAN (MOST BROKERS ARE CHINESE) ACCEPTABLE TO GOVERNMENT. UNDERHILL

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